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Division of Health Care Finance and Policy

March 16, 2010

Public Hearing

Health Care Provider and Payer Costs and Cost Trends

Testimony of Matt Selig, Executive Director of Health Law Advocates, Inc.

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My name is Matt Selig and I am the Executive Director of Health Law Advocates, Inc. (HLA). HLA is a public interest, non-profit law firm that provides pro bono legal services for low-income Massachusetts residents who have been unjustly denied health care access and/or have been improperly saddled with unmanageable medical bills. HLA was founded in 1996 and has served more than 6,000 clients in our history.

I am grateful to Commissioner Morales and the Division for the opportunity to provide testimony on the issue of health care costs. I particularly want to applaud the Commissioner and the Division for inviting this entire panel of consumer advocates to testify because the statute that mandates these hearings only requires the Division to hear testimony from providers and institutional payers such as state government and commercial carriers. I also commend the Commissioner and the Division for the time and effort they have expended issuing their three part preliminary report on Health Care Cost Trends and organizing these hearings. I also wish to applaud Attorney General Martha Coakley and her Health Care Division for their efforts in the investigation of Health Care Cost Trends and Cost Drivers and their collaboration with the Division on the arrangement of these hearings.

The overarching message I am delivering today is one that will not surprise you - the cost of health care is having a devastatingly negative impact on consumers. Consumers endure enormous financial hardships because of health care costs. These costs also cause consumers to face significant barriers to access to needed health care. Unfortunately, the impact of health care costs on consumers is also trending in the wrong direction.

There is substantial evidence of the growing burden of health care costs on consumers. The Division's reports on Health Care Cost Trends illustrate the considerable rise in consumers' premiums and other costs-sharing over the past few years. HLA's substantial experience representing low-income health care consumers also reflects the disturbing growth of consumers' health care costs which are becoming increasingly unmanageable for residents of the Commonwealth. HLA had virtually the same number of requests for services in 2009 (829) as in 2006 (828). However, the number of our prospective clients reporting medical debt grew by more than 400% in 2009 (191) over 2006 (45).

There is one area of particular concern for HLA that I would like to highlight for the Division because much of the research that has been conducted focuses on insurance premiums and cost-sharing like deductibles and copayments. In our work with individual clients we find that consumers still consistently face the burden of out-of-pocket health care costs *aside from* premiums, deductibles and copayments. Despite the Commonwealth's substantial success in increasing insurance coverage among residents, consumers appear to be paying more and more for health care services when they are uninsured or otherwise bear the entire cost of the service.

Academic research has flagged the issue of uninsured medical expenses as well. A compelling March 2009 report from the Blue Cross Blue Shield of Massachusetts Foundation entitled *Shared Responsibility: Government, Business and Individuals: Who Pays What for Health Reform?* authored by Robert Seifert, M.P.A. and Paul Swoboda, M.S. of the Center for Health Law and Economics at the University of Massachusetts Medical School estimated that consumers paid 11% more for "uncovered" health care services in 2007 than they did in 2005. Over the same time period, government entities, such as the Health Safety Net, and providers, such as hospitals, paid 44% less for "uncovered" health care costs. Meanwhile, the *Shared Responsibility* report estimates that employers, government and consumers shared equally in the increased cost of insurance coverage between 2005 and 2007. Together, these findings indicate that after health reform in Massachusetts, the cost of health care overall is apparently being shifted to the backs of consumers from providers and institutional payers.

HLA's work with individual clients provides us with ample reason to conclude that consumers' continue to struggle mightily with these "uncovered" health care costs. Even though the Commonwealth Care program has provided invaluable benefits for uninsured low-income consumers after health reform, there remain significant holes in the health care coverage system that lead to enormous and growing costs for consumers.

I will provide a few specific examples of trouble spots in the health care system that we often see leading to significant medical debt for consumers. We have worked with numerous clients who incurred substantial health care costs when they were erroneously terminated from the Commonwealth Care program which does not provide retroactive coverage even after a consumer proves the State made a mistake on their eligibility and win reinstatement to the program on appeal. We have also represented many clients who have incurred enormous debt to hospitals because notice of their opportunity to apply for the Health Safety Net program is delayed or they are incorrectly awarded limited eligibility for Health Safety Net coverage when they are entitled to far greater retroactive eligibility. We also represent consumers enrolled in commercial insurance that bear the full cost of medical care when needed services are incorrectly denied as not "medically necessary" or as a non-covered benefit. Further, as you know, when a consumer solely bears the cost of a health care service they pay at a rate exponentially higher than the rate paid by an insurer.

While the increasing cost of health care has brutal consequences for consumers, other players in the health care system certainly face substantial challenges as well because of this phenomenon. We zealously advocate for our clients in disputes with insurers, both public and private, providers and sometimes employers, but we are always ready to work cooperatively with other stakeholders in the health care system to develop new policies that can bring about positive change and benefit all.

Again, thank you for the opportunity to testify and for your consideration of my views.